



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ENTERPRISE

0454/12

Paper 1 Case Study

May/June 2016

MARK SCHEME

Maximum Mark: 100

Published

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1 (a) Explain the term ‘social enterprise’. [2]

An enterprise that works for social projects, rather than maximising profits for shareholders [2]

Meet the needs of the community or environment [1]

Social enterprises may be non-profit [1]

For example mutual organisation/charity [1]

A good description showing clear knowledge and understanding. [2]

An imprecise understanding plus example of relevant organisation [2]

A less precise description showing some knowledge and understanding that they are for society’s well-being. [1]

(b) State two other types of business organisation. [2]

- Sole trader
- Partnership
- Private limited company
- Public limited company
- Co-operative
- Franchise

1 mark per organisation identified (max 2)

(c) Explain one advantage and one disadvantage to your enterprise project of operating as your chosen type of business organisation. [6]

Answers will depend upon their own enterprise experience but may include:

Sole trader:

- Limited finance required
- Low risk/capital so unlimited liability not an issue
- Possessed all of the skills needed
- Very little work to do/small enterprise

Partnership:

- More capital invested
- Greater variety of skills/specialisation possible
- Spread work load
- Enterprise project group

Marks should be awarded for each point as follows:

1 mark – identification of an advantage or disadvantage

2 marks – explanation showing development of the point.

3 marks – some application to their own enterprise experience

Example:

Profits have to be shared [1] which means I gain less than if I was a sole trader [+1] so when we made \$300 I only got \$100 [1]

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2 There are many different ways of being enterprising, which include:

- using technology for learning
- creating and developing
- making reasoned evaluations
- linking different kinds of learning

(a) Explain how you have used two of these ways of being enterprising either at school or at home. [4]

For each point marks should be awarded:

1 mark – example of the action the student took in relation to one of the bullet points identified

plus 1 mark – explanation of how it helped them to be enterprising

Example:

I used technology for research [1] to better target my customers/sell more goods. [+1]

I created different products [1] so I stood out from my competitors. [+1]

We had an idea for t-shirts [1] and converted this into a design to sell. [+1]

My friends invited me to a concert but I needed to study [1] I chose to study because I needed to pass my exam. [+1]

Instead of just using my notes [1] I used past exam papers to revise. [+1]

I taught myself to play an instrument [1] so I could teach others for money. [+1]

(b) Ollie thought that new enterprises involved too much risk.

Explain the difference between a risk optimiser and a risk avoider. [2]

A risk avoider will attempt to avoid any possibility of risk

A risk optimiser is a person who is willing to accept a certain amount of risk or attempts to reduce/resolve the risk.

2 marks – identification of both attitudes/clear understanding of the difference

1 mark – identification of one attitude

Example:

An optimiser will work to reduce the risks involved in enterprise whilst an avoider will not take any action that involves risk. [2]

Optimiser is willing to accept (some degree of) risk. [1]

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(c) Identify two methods that could be used to reduce risk. [2]

These could include:

- research
- get advice/support
- planning/produce business plan
- financial projection/cash flow forecast
- PESTEL
- diversification

Accept practical examples e.g. produce a cash flow forecast, insurance

1 mark per correct identification.

(d) Analyse the effectiveness of one method used in your enterprise project to reduce risk. [4]

1–2 marks for relevant application – a method used in the enterprise is explained in context

3 marks – explanation of how the action helped

4 marks – the impact on risk is clearly shown

Example:

We bought stock on a sale or return basis [1] for our hamburger stall [1] this reduced the cost [+1] so there was less risk of us running out of money. [+1]

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3 (a) The advisor explained the importance of a business plan.

Describe two non-financial pieces of information that would usually be included in a business plan. [4]

Accept any relevant data normally included in a business plan.

Candidates could identify any aspect of, or a section of, the plan these might include:

- Preliminary information
- Marketing plan
- Production plan
- Human resources

Marks should be awarded for each point as follows:

1 mark per item of information (to a max of 2)

Plus 1 mark per description (max of 2)

Example:

Personnel [1] information about the skills staff have. [+1]

(b) Describe two reasons for an enterprise to draw up a business plan. [4]

Reasons might include:

- helps with organisation/gives list of actions (steps)/keep business on track
- to identify viability of an enterprise
- identify risks/problems/strengths
- persuade financiers to offer credit/attract shareholders
- helps decision making
- to measure success

Marks should be awarded for each point as follows:

1 mark – identification of reason

Plus 1 mark – further development

Example:

So you know the steps involved in the running of the enterprise [1] and so reduce risk of missing an important aspect. [1]

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4 (a) Explain the difference between the following terms:

(i) **profit and loss** [2]

Profit is when sales revenue/income is more than costs
Loss is when revenue does not cover costs/outflows greater than inflows

(ii) **creditors and debtors** [2]

Creditors are organisations/people that the enterprise owes money to/lend money
Debtors are organisations/people who owe money to the enterprise/who borrow

(iii) **investment and savings** [2]

Investment is spending which will increase the productive capacity of an enterprise/
money spent on machinery or training/money spent in order to get profit or return
Saving is money which is not spent or put aside for future spending.

Marks should be awarded for each point as follows:
2 marks – understanding of both definitions/the difference between the two
1 mark – knowledge of either term only

(b) Explain the source of finance that would be most suitable for Ollie's Oils.
Give reasons for your answer. [4]

The enterprise is small and a social enterprise so suitable methods might include:

- loans
- overdraft
- community sources – charities, social enterprise grants or loans
- family and friends
- government grants or subsidies
- personal savings

Candidates may give specific country examples of funding – these are acceptable if it is clear how they operate.

Marks should be awarded as follows:
4 marks – two reasons explained
3 marks – clearly explain why a method is a suitable method (**or** other methods rejected)
2 mark – identifies a suitable method of finance for Ollie's Oils
1 mark – identify a method of finance, this may not be suitable for a small enterprise.

Example:

Government grants [1+1] because they are a social enterprise [1] therefore Ollie will not have to repay it [1].

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5 (a) Identify two possible stakeholders for an enterprise. [2]

- employees
- owners
- managers
- suppliers
- customers/target audience
- local community
- government
- shareholders/investors
- competitors

1 mark per identification

(b) Identify and explain two methods of communication, other than email, that an enterprise can use to communicate with stakeholders. [4]

Answers may include:

- Letters
- Memo
- Telephone/mobile phone
- Fax
- Face to face/meeting/Face time/Skype/conference calls
- Instant messaging through mobile phones
- Social media

Candidates may also consider methods of marketing communication such as: television/radio/cinema/newspapers/posters/leaflets.

Marks should be awarded for each point as follows:

1 mark – identification of a method

Plus 1 mark – explanation of the method

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(c) Explain one problem Ollie could have faced when using emails to communicate with external stakeholders. [4]

Candidates may identify:

- Time wasted waiting for replies/receiver may not check their email account regularly
- Failure of delivery for many reasons
- Not knowing if the message is delivered
- Seen as junk mail in inboxes
- Relies on having computer access
- Impersonal

Stakeholders in the enterprise include:

- Parents, students, factory owner, principal, advisor, local restaurants

4 marks – application of the problem linked specifically to this enterprise

3 marks – detailed explanation of the problem(s) created

2 marks – development of that problem

1 mark – identify a problem with emails

Example:

People often don't pick up emails [1] leading to a slow response [+1] therefore decision making is delayed [+1] and Ollie would not know if the factory would buy the cooking oil. [1]

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- 6 (a) **Ollie’s main objective was to help the environment. He did not want to make a profit but he did need to break-even.**

Discuss how the objectives set in Ollie’s Oils could affect the operation of the enterprise.

[10]

Candidates are likely to refer to:

- Being environmentally conscious means he would use recycled materials/bottles
- Transport would be environmentally friendly (bicycle/walking/bus)
- Social enterprises lack funds as there is no profit
- Lack of profit limits potential for growth in the future
- The need to break even
- He needs to keep costs low
- Willing to accept a low price for the oil

Level 4 (9–10 marks)

Candidate is able to offer a thorough explanation of the ways in which the objectives affected how Ollie’s enterprise operated. Both positive and negative impacts should be considered at this level.

Level 3 (6–8 marks)

Candidate is able to offer an analysis of how helping the environment or breaking even affected the way Ollie’s enterprise operated. For 7-plus marks, more than one impact must be explained.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of the objectives set for Ollie’s enterprise. Application illustrates the ways the business operated as a result.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of business objectives.

Level 0 (0 mark)

Candidate is unable to demonstrate any knowledge or understanding of business objectives.

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- (b) Ollie’s biggest problem would be how to get students and parents interested in his recycling scheme. He was not very good at marketing.

Evaluate the different methods of marketing communication that Ollie could use to persuade these people to become involved in the recycling scheme. Use examples to support your answer. [15]

Marketing methods could include:

- Posters
- Leaflets/flyers
- Local newspaper or news letter
- Direct letter or email
- Facebook – web based methods

Level 4 (10–15 marks)

Candidate is able to offer an evaluation illustrating clearly the effectiveness of the methods suggested. To gain 13-plus marks, there should be a stated conclusion.

Level 3 (6–9 marks)

Candidate is able to offer an explanation showing how the methods suggested would assist or not assist the enterprise to get people involved in the scheme. To gain 7-plus marks, two or more methods must be explained.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of methods – showing suitable methods linked to students, parents or teachers. To gain 4-plus marks, at least two methods should be applied.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of methods or how they would operate.

Level 0 (0 mark)

Candidate is unable to demonstrate any knowledge or understanding of marketing communications.

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- 7 (a) Ollie believed that he would be able to meet the needs and wants of his customer, the factory.

Discuss how successful your enterprise project was in meeting the needs and wants of its customers. [10]

Answers will depend on the candidate's own enterprise project

Level 4 (9–10 marks)

Candidate is able to offer a balanced discussion of how they met or did not meet the needs and wants of their customers.

Level 3 (6–8 marks)

Candidate is able to offer an analysis of the actions they took to meet the needs or wants of their customers. Answers at this level will be unbalanced.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of the needs and wants of the customers in their enterprise project.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of needs and wants.

Level 0 (0 mark)

Candidate is unable to demonstrate any knowledge or understanding of needs and wants.

- (b) Ollie needed a lot of help and support with his new enterprise.

Evaluate the effectiveness of the sources of help and support used in your enterprise project. [15]

Level 4 (10–15 marks)

Candidate is able to offer a thorough evaluation of at least two sources of help and support. For 13-plus marks, justification of decision needs to be explicit and logical.

Level 3 (6–9 marks)

Candidate is able to offer some analysis of the sources of help and support they utilised in their enterprise. Answers at this level may be one-sided showing only advantages or disadvantages or consider only one source of help and support in detail.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of the sources of help and support used in their enterprise. Some explanation as to how that source was used in their enterprise.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of sources of help and support. There is no suitable application to their enterprise experience.

Level 0 (0 mark)

Candidate is unable to demonstrate any knowledge or understanding of sources of help and support.